



Maryland Health Benefit Exchange Operating Model and Insurance Rules Advisory Committee

October 3, 2011

Agenda

- Introductions
- Project Overview
- Role of the Exchange
- Concepts for Discussing QHP Certification
- Goals of the Exchange

Introductions

- Patrick Holland, Managing Director
 - Founding CFO of MA Health Connector; responsibilities included leading multiple health plan procurements
 - Extensive private health carrier and provider experience focused on network contracting and negotiation strategy
- James Woolman, Senior Consultant
 - Manager of Finance and Analytics at MA Health Connector; responsibilities included development of procurement strategy and managing health plan analytics
 - Prior experience includes commercial network contracting strategy and Medicaid finance and policy development



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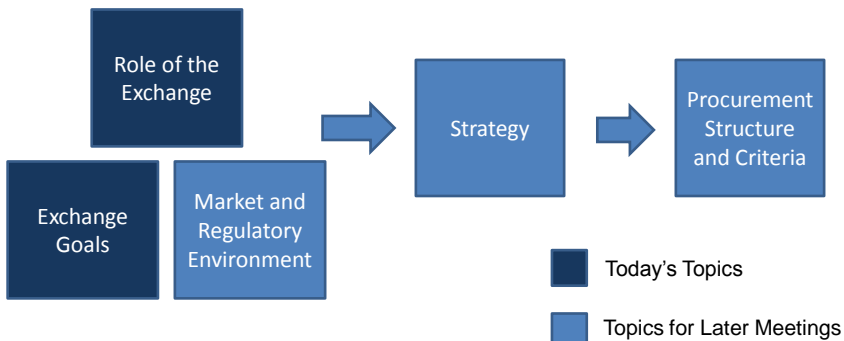
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Project Overview

We will work with the committee to discuss and develop baseline information on the key factors shaping Exchange procurement strategy and then draw on this information to develop options to inform the approach and recommendations for the board.



Timeline of Committee Meetings

| Meeting Date | Discussion Topics |
|------------------|---|
| October 3, 2011 | <ul style="list-style-type: none"> • Role and Opportunities of the Exchange • Concepts for Discussing Procurement Options • Identify and discuss procurement goals for the Exchange |
| October 12, 2011 | <ul style="list-style-type: none"> • Discuss how preferred goals map to procurement strategies • Introduce and discuss procurement approach examples • Introduce how market context can shape strategy |
| October 25, 2011 | <ul style="list-style-type: none"> • Discuss interaction between market environment and exchange goals in shaping options for procurement approach • Discuss refined procurement approach based on committee feedback from 10/12/11 |
| November 2, 2011 | <ul style="list-style-type: none"> • Discuss key elements of initial draft report and receive committee feedback |
| November 7, 2011 | <ul style="list-style-type: none"> • Deliver Final Vendor Report |

Today's Goals

- Provide background on the role of the exchange and how this will shape its options in developing procurement strategy
- Facilitate discussion of Exchange goals for QHP procurement, a critical element in developing QHP strategy and criteria



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Key Functions of the Exchange

- Develop standards for QHP certification and award certification to qualifying plans
 - Minimum standards per ACA
 - Maryland can go beyond minimum standards
- Monitor QHP compliance and decertify non-compliant plans
- Offer QHPs for sale and market plans to individuals and small businesses



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Key Functions of the Exchange (con't)

- Develop plan rating criteria and communicate plan rating information to consumers



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Exchange is a Health Insurance “Store”

- As a new entity, needs to build market credibility and scale
- Needs to be self-sustaining
- Must offer prospective enrollees a “first-class” customer experience
- Level of service and choice should minimally meet market standards
- Develop relationships with market players



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Key Levers of the Exchange

The Exchange has three main levers it can use to affect the market, which it must employ and coordinate to create carrier interest and achieve the goals of the procurement:

1. QHP certification process and criteria
2. Target populations to offer and enroll
3. Plan rating criteria



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QHP Criteria Development

- QHPs must meet basic criteria outlined in the ACA and in federal exchange regulations
- The Exchange may develop additional criteria that QHPs must meet in order to participate
- Current guidance provides states wide latitude to determine these additional criteria
- Maryland enabling legislation seeks recommendations on the contracting role of the Exchange – goal of this project



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Example Criteria

The Exchange has wide latitude to develop criteria. However, it will need to focus on areas it can most readily impact.

- Promoting patient-centered medical homes
- Adopting electronic health records
- Implementing payment reforms to reduce medical errors and preventable hospitalizations
- Reducing disparities
- Ensuring adequate reimbursements
- Enrolling low-risk members and underserved populations
- Managing chronic conditions and promoting healthy consumer lifestyles
- Adhering to transparency guidelines and uniform price and quality reporting
- Meeting Exchange premium cost standards
- Value-based or limited network benefit designs
- Participating in Exchange-sponsored marketing initiatives
- Meeting Exchange membership targets
- Meeting minimum outcome standards
- Adhering to provider contracting or geographic access requirements



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Community Rating vs. Closed Risk Pool

Community Rating

- Small group size leads to uncertainty and more conservative pricing practices
- Pricing adjustments set by law and must be consistent inside and outside the Exchange
- Individual groups have limited ability to affect price and quality
- Example: Small and Non Group Markets

Closed Risk Pool

- Large volume, ability to analyze population risk allow carriers to price more aggressively
- Greater scale and ability to directly negotiate provides greater opportunity to impact quality and price
- Examples: Public and Municipal Employee Plan, Large Employers, Medicaid Managed Care



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Rate Taker vs. Rate Setter

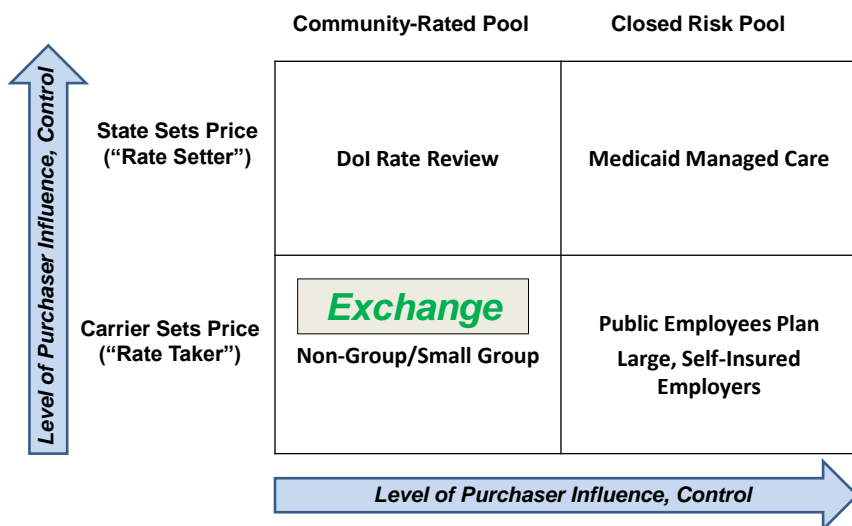
Rate Taker

- The carrier establishes the premium rate
- Larger scale provides greater opportunity to spur competition amongst carriers to reduce prices
- Examples: Small and Non Group Markets, Public and Municipal Employee Plan

Rate Setter

- The purchaser establishes the premium rate and carriers compete to meet this price
- Provides greater control to the purchaser in managing price
- Purchaser can influence price, but also other elements it deems important (networks, quality, etc)
- Examples: DOI Rate Review, Medicaid Managed Care

Types of Purchasers



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Exchange Goals Overview

- The strategy and structure of Exchange QHP procurement will be driven by the goals that the Exchange hopes to achieve
- Different goals, as well as different levels of priority amongst goals, will lead to different types of procurement strategies
- In our experience, focusing on a limited number of goals is most likely to produce concrete success



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Exchange Goals Overview (con't)

- Today's goal is to structure a conversation of exchange goals to help guide our collective work in determining procurement options



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Short Term vs. Long Term Goals

When setting goals, it may be useful for the Exchange to distinguish between short and long term goals.

Short Term

- “Quick successes” to establish exchange identity, develop relationships, and build credibility
- Things the exchange is able to achieve with existing leverage: simplify consumer experience, provide wide array of products, build membership scale

Long Term

- Deals with more significant market impact, for which time and/or scale are required elements
- Examples: improve performance on quality metrics, delivery-system change, reduce premium trend



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Internal vs. External Goals (Exchange)

Goal-setting should balance both larger, market-oriented goals with goals important to the establishment and operations of the Exchange.

Internal

- Things that are important to the Exchange that may not be relevant to the outside market
- Stakeholder relationships, carrier compliance with data reporting requirements and claims data submission

External

- Items affecting broader market and/or around which public expectations are high
- Control premium costs, expand coverage, enhance consumer shopping experience

Goal Setting Examples

| | Internal | External |
|-------------------|---|---|
| Short Term | <ul style="list-style-type: none"> • Create simple enrollment experience • Provide desired level of choice | <ul style="list-style-type: none"> • Develop scale in exchange • Create administratively easy interface for carriers |
| Long Term | <ul style="list-style-type: none"> • Exchange purchasing is coordinated with Medicaid • Exchange is self-sustaining | <ul style="list-style-type: none"> • Mitigate premium trend • Increase member access to providers • Allow for ACOs/Safety Net-sponsored entities to be offered on exchange |

Goals do not need to be mutually exclusive – the Exchange can have the same goal for internal and external parties.

Example Goals by Goal Type

| Goal Category | Specific Goal |
|---|--|
| I. Expand Coverage | 1. Reduce uninsured rate |
| | 2. Grow membership scale |
| | 3. Improve access to care |
| II. Control Cost | 4. Reduce premiums relative to existing market |
| | 5. Minimize annual premium increases |
| III. Impact Service Delivery and/or Quality | 6. Improve carrier and/or provider performance on selected quality metrics |
| | 7. Impact delivery system change (PCMH, ACO, Never Events) |
| IV. Improve Consumer Experience | 8. Simplify buying experience |
| | 9. Improve consumer choice |
| | 10. Enhance consumer knowledge and engagement |
| V. Mitigate Selection | 11. Reduce price variation |
| | 12. Prevent selection inside/outside of the exchange |

Questions to Discuss

- Goals and priorities for initial procurement process?
 - Short / Long Term
 - Internal / External
- Goals and priorities for later procurement processes?
 - Short / Long Term
 - Internal / External

| | Internal | External |
|------------|----------|----------|
| Short Term | | |
| Long Term | | |

Next Steps

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